

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WHITE LAKE FIRE AUTHORITY	County MUSKEGON
Audit Date 12/31/05	Opinion Date 2/9/06	Date Accountant Report Submitted to State 3/7/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1988, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza, P.O. Box 999	City Muskegon	State MI	ZIP 49443-0999
Accountant Signature 		Date 3/7/06	

White Lake Fire Authority
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2005

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Brief discussion of the basic financial statements

This annual report consists of three parts-*management's discussion and analysis, the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Authority.

- *The first three columns of the financial statements include information about the Authority's General Fund and two capital project funds under the modified accrual method of accounting. These financial statements focus on current resources and provide a detailed view of the Authority's sources and uses of funds.
- *The "Adjustments" columns of the financial statements represent adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method of accounting required for the year ended December 31, 2005.
- *The last column provides both long term and short term information about the Authority's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Authority as a whole, and present a longer term view of the Authority's finances.

The financial statements also include *notes* which explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

A. Statement of Net Assets

The current assets are comprised of cash and investments and property taxes receivables. The majority of the cash and investments balance is related to capital replacement funds. The taxes receivable represents taxes levied in December 2005, but not collected or recognized until 2006. The taxes are not recognized as revenues since they are intended to fund fiscal year 2006 operation. Capital assets, net of depreciation increased due to significant addition offset by normal annual depreciation. These capital additions were possible due to several federal grants awarded during the year.

The current liabilities are primarily deferred revenue related to the taxes receivable noted above. The Authority had no long-term debt at December 31, 2005.

The net assets are divided into three types. "Invested in capital assets" represents the Authority's net investment in fixed assets net of accumulated depreciation. "Invested in capital assets" increased due to the significant amount of additions noted above. The "reserved for capital projects" represents the monies set aside for future equipment and facilities upgrades and replacements. The unrestricted net assets represent assets available to the Authority.

Condensed Statement of Net Assets

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,112,184	\$ 1,068,796
Capital assets, net of depreciation	<u>824,693</u>	<u>701,981</u>
Total assets	<u>1,936,877</u>	<u>1,770,777</u>
Current liabilities	<u>(495,258)</u>	<u>(468,760)</u>
Net assets		
Invested in capital assets	824,693	701,981
Restricted for capital projects	560,504	543,897
Unrestricted	<u>56,422</u>	<u>56,139</u>
Total net assets	<u>\$ 1,441,619</u>	<u>\$ 1,302,017</u>

B. Statement of Activities

The statement of activities measures the Authority's financial performance for the year. The largest revenue source is property taxes which represents approximately 72% of total revenues. Intergovernmental revenues increased by \$110,726 due to several federal grants awarded during the year. Contributions increased due to a \$20,000 contribution from the Alcoa Foundation for the purchase of a new ladder truck. The largest expenses are salaries, wages and fringe benefits and depreciation, which represent approximately 59% and 14% of total expenditures, respectively. Salaries increased due to the addition of two full time positions and an increase in health insurance costs. Depreciation expense increased due to continued replacement of aging equipment and new equipment additions. The increase in other expenses was primarily the result of an increase in fuel costs and higher repair costs.

Condensed Statement of Activities

	<u>2005</u>	<u>2004</u>
General revenues		
Property taxes	\$ 464,327	\$ 449,292
Intergovernmental revenues	132,604	21,978
Contributions	20,025	4,530
Other	26,716	10,448
Total revenues	<u>643,672</u>	<u>486,248</u>
Expenditures		
Salaries, wages and fringe benefits	297,936	242,812
Depreciation expense	71,634	60,523
Other expenses	134,500	122,001
Total expenditures	<u>504,070</u>	<u>425,336</u>
Change in net assets	139,602	60,912
Net assets at the beginning of the year	<u>1,302,017</u>	<u>1,241,105</u>
Net assets at the end of the year	<u>\$ 1,441,619</u>	<u>\$ 1,302,017</u>

Analysis of modified accrual Financial Statements

The Authority operates three separate funds, each of which serves a different function. The General Fund is the Authority's primary operating fund in which all transactions for day to day operations are recorded. The capital project funds are established to set aside funds for the future upgrades and replacement of equipment and facilities.

The General Fund was flat for the year. Revenues increased significantly as a result of the federal grants received during the year, but the grants resulted in additional related expenditures. The General Fund ended the year with a fund balance of \$56,422.

In the General Fund, the significant balances, other than cash and investments, are property taxes receivable and an off-setting deferred revenue account, since the taxes levied in December 2005 are intended to fund fiscal year 2006 operations.

The largest expenses of the General Fund are salaries, wages and fringe benefits. Salary and wages increased due to the two new full time firefighter positions. The fringe benefits include payroll taxes, and workers compensation, health, life, vision and dental insurance, and retirement for full-time employees. Fringe benefits increased due to the payroll taxes and health insurance costs associated with the two new positions.

Authority Budget Highlights

The original budget was amended a couple of times during the year. The significant adjustments are as follows:

- Federal grants revenues were increased due to the receiving two federal grant awards during the year
- Salary and wage expenses were amended higher due to the addition of two new full time positions.
- Equipment maintenance was amended higher due to repairs from an accident and an overall increase in anticipated maintenance costs.
- Capital outlay was increased due to the two federal grants which were primarily for capital asset purchases.

The actual expenditures exceeded budget in a couple of areas.

- Federal grant revenue was over budget due to the addition of a third federal grant award.
- Capital outlay was also over budget due to the additional capital assets purchased as part of the third federal grant award noted above.

Significant Capital Assets

The Authority had a large increase in capital asset purchases during the year. The most significant items included a hovercraft, self contained breathing apparatus gear and a thermal imaging camera. The Authority had various other purchases which are summarized in total in footnote D of the financial statements.

Anticipated Budget Factors and Currently Known Facts for 2005

The 2006 budget is expected to show an increase in fund balance due to the increase in the Authority's property tax base. The Authority also purchased additional equipment related to federal awards discussed previously.

The Authority has committed approximately \$675,000 for the purchase of a ladder truck and compressor fill station. The ladder truck, which cost approximately \$640,000, will be purchased with an installment purchase plan with a down payment of \$250,000.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those interested in them. Questions may be directed to the Fire Chief, Robert Phillips, at White Lake Fire Authority, 115 S. Baldwin, Whitehall, MI 49461.

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

February 9, 2006

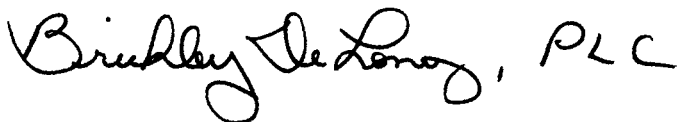
Board of Directors
White Lake Fire Authority
Muskegon, Michigan

We have audited the accompanying financial statements of White Lake Fire Authority as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Lake Fire Authority as of December 31, 2005 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through iv and 13 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



White Lake Fire Authority
BALANCE SHEET—STATEMENT OF NET ASSETS
December 31, 2005

	Balance Sheet				Adjustments	Statements of Net Assets
	General	Equipment replacement	Facilities	Total		
ASSETS						
Cash and investments	\$ 62,311	\$ 362,934	\$ 201,155	\$ 626,400	\$ -	\$ 626,400
Property taxes receivable	485,784	-	-	485,784	-	485,784
Capital assets, net						
Depreciable	-	-	-	-	824,693	824,693
Total assets	<u>\$ 548,095</u>	<u>\$ 362,934</u>	<u>\$ 201,155</u>	<u>\$ 1,112,184</u>	824,693	1,936,877
LIABILITIES						
Accounts payable	\$ -	\$ 3,585	\$ -	\$ 3,585	-	3,585
Accrued liabilities	5,889	-	-	5,889	-	5,889
Deferred revenue	485,784	-	-	485,784	-	485,784
Total liabilities	<u>491,673</u>	<u>3,585</u>	<u>-</u>	<u>495,258</u>	-	495,258
FUND BALANCES						
Reserved for:						
Equipment replacement	-	359,349	-	359,349	(359,349)	-
Facility replacement	-	-	201,155	201,155	(201,155)	-
Unreserved						
Undesignated	56,422	-	-	56,422	(56,422)	-
Total fund balances	<u>56,422</u>	<u>359,349</u>	<u>201,155</u>	<u>616,926</u>	<u>(616,926)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 548,095</u>	<u>\$ 362,934</u>	<u>\$ 201,155</u>	<u>\$ 1,112,184</u>		
NET ASSETS						
Invested in capital assets					824,693	824,693
Restricted for capital projects					560,504	560,504
Unrestricted					56,422	56,422
Total net assets					<u>\$ 1,441,619</u>	<u>\$ 1,441,619</u>

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
IN FUND BALANCES—STATEMENT OF ACTIVITIES
For the year ended December 31, 2005

	Revenues and Expenditures				Adjustments	Statement of Activities
	General	Equipment replacement	Facilities	Total		
REVENUES						
Property taxes	\$ 464,327	\$ -	\$ -	\$ 464,327	\$ -	\$ 464,327
Intergovernmental revenues						
Federal	97,251	-	-	97,251	-	97,251
Local	35,353	-	-	35,353	-	35,353
Investment earnings	5,713	8,714	4,927	19,354	-	19,354
Contributions	25	20,000	-	20,025	-	20,025
Other	8,898	-	-	8,898	(1,536)	7,362
Total revenues	<u>611,567</u>	<u>28,714</u>	<u>4,927</u>	<u>645,208</u>	<u>(1,536)</u>	<u>643,672</u>
EXPENDITURES						
Current						
Salaries and wages	223,898	-	-	223,898	-	223,898
Fringe benefits	74,038	-	-	74,038	-	74,038
Operating supplies	6,079	-	-	6,079	-	6,079
Gasoline	12,837	-	-	12,837	-	12,837
Equipment maintenance	20,760	-	-	20,760	-	20,760
Office supplies	2,030	-	-	2,030	-	2,030
Insurance and bonds	17,107	-	-	17,107	-	17,107
Communications	13,376	-	-	13,376	-	13,376
Education and training	4,036	-	-	4,036	-	4,036
Professional fees	12,965	-	-	12,965	-	12,965
Uniforms	2,014	-	-	2,014	-	2,014
Rental and lease expense	15,790	-	-	15,790	-	15,790
Other	4,408	-	-	4,408	-	4,408
Depreciation	-	-	-	-	71,634	71,634
Capital outlay	<u>116,580</u>	<u>95,766</u>	<u>6,634</u>	<u>218,980</u>	<u>(195,882)</u>	<u>23,098</u>
Total expenditures	<u>525,918</u>	<u>95,766</u>	<u>6,634</u>	<u>628,318</u>	<u>(124,248)</u>	<u>504,070</u>
Excess of revenues over (under) expenditures	85,649	(67,052)	(1,707)	16,890	122,712	139,602
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	<u>(85,366)</u>	<u>85,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances—net assets	283	18,314	(1,707)	16,890	122,712	139,602
Fund balances—net assets at January 1, 2005	<u>56,139</u>	<u>341,035</u>	<u>202,862</u>	<u>600,036</u>	<u>701,981</u>	<u>1,302,017</u>
Fund balances—net assets at December 31, 2005	<u>\$ 56,422</u>	<u>\$ 359,349</u>	<u>\$ 201,155</u>	<u>\$ 616,926</u>	<u>\$ 824,693</u>	<u>\$ 1,441,619</u>

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the White Lake Fire Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

Reporting Entity

White Lake Fire Authority is incorporated under the provisions of Act 57 Public Acts of 1988 in Michigan for the purpose of providing a fire protection and rescue services to Fruitland Township, Whitehall Township and the City of Whitehall. The Authority is governed by a six member Board, appointed by the participating governmental units, and is administered by a Fire Chief appointed by the Board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Equipment Replacement Fund and Facility Fund are used to account for the purchase of capital assets for the Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Fund Equity or Net Assets

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Fund Equity or Net Assets—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles.

Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Authority all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Authority. The Authority recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Authority totaled approximately \$322,000,000. The ad valorem taxes levied consisted of 1.44 mills for the Authority's operating purposes. These amounts are recognized in the General Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include plant and equipment, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Fund Equity or Net Assets—Continued

Capital Assets—Continued

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	10
Transportation equipment	6-20
Equipment	10
Furniture and fixtures	7
Office equipment	5

Compensated Absences

The Authority's full-time employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick time does not accumulate from year to year.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Authority follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Fire Chief submits to the Authority Board a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than December 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Authority Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Authority Board made several supplemental budgetary appropriations throughout the year.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

	<u>Amended budget</u>	<u>Actual</u>
General Fund		
Fringe benefits	\$ 69,000	\$ 74,038
Capital outlay	57,105	116,580

These overexpenditures were funded with a grant and available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Authority does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2005, \$625,000 of the Authority's bank balance of \$651,145 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. The Authority does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Capital assets, being depreciated:				
Leasehold improvements	\$ 3,990	\$ 1,960	\$ -	\$ 5,950
Transportation equipment	645,692	21,217	5,000	661,909
Equipment	225,765	172,706	2,229	396,242
Furniture and fixtures	1,841	-	-	1,841
Office equipment	12,696	-	1,488	11,208
Total capital assets, being depreciated	889,984	195,883	8,717	1,077,150
Less accumulated depreciation:				
Leasehold improvements	2,665	283	-	2,948
Transportation equipment	112,444	42,771	3,463	151,752
Equipment	64,102	26,883	2,229	88,756
Furniture and fixtures	905	175	-	1,080
Office equipment	7,887	1,522	1,488	7,921
Total accumulated depreciation	188,003	71,634	7,180	252,457
Capital assets, net	\$ 701,981	\$ 124,249	\$ 1,537	\$ 824,693

NOTE E—INTERFUND TRANSFERS

The General Fund made a transfer of \$85,366 to the Equipment Replacement Fund during the year ended December 31, 2005. This transfer was made to set aside funds for future equipment replacement and upgrades.

NOTE F—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenues reported in the governmental funds were \$485,784 due to property taxes levied in December 2005 that were unearned and intended to fund fiscal year 2006.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

NOTE G—OTHER INFORMATION

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Commitments

The Authority entered into an agreement in 2005 to purchase a ladder truck for approximately \$637,000. The ladder truck will be financed with an installment purchase obligation along with a down payment of approximately \$253,000. The Authority has also committed to purchase a compressor fill station for approximately \$35,000.

Building Leases

The Authority leases facilities from the City of Whitehall and Fruitland Township, which are participating governmental units, under thirty-year agreements. The City of Whitehall lease requires semi-annual rentals of approximately \$4,390. The Fruitland Township lease requires annual rental of approximately \$5,800. Occupancy expenses are paid by the lessor for both leases. Total rent expense was \$15,790 for the year ended December 31, 2005.

Each lease can be terminated by either party with twelve months advance notice.

Equipment Leases

The Authority leases equipment from the City of Whitehall and Fruitland Township under a thirty-year agreement requiring annual rentals of \$1. The Authority is responsible for all repair and maintenance of leased equipment. If leased equipment is replaced by the Authority, the leased equipment is required to be returned to the lessor for its disposal. Each lease can be terminated by either party with twelve months advance notice.

NOTE H—DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years and provides 5 percent matching contributions of employee elective deferrals. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The Authority's matching contribution was \$7,157 for the year ended December 31, 2005.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2005

**NOTE I—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Total fund balance - governmental funds	\$	616,926
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Amounts reported for government activities in the
Statement of Net Assets are different because:

Capital assets used in the governmental activities are
not current financial resources and are not reported
in this governmental funds.

Cost of capital assets	\$ 1,077,150	
Accumulated depreciation	<u>(252,457)</u>	<u>824,693</u>
Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,441,619</u></u>

Net change in fund balances - total governmental funds	\$	16,890
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Amounts reported for government activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets
as expenditures; in the Statement of Activities, these
costs are depreciated over their estimated useful lives.

Depreciation expense	(71,634)	
Capital outlay	<u>195,882</u>	124,248

Governmental funds report the entire proceeds from
the sale of capital assets as revenue, but the Statement
of Activities reports only the gain or loss on the sale of
capital assets.

		<u>(1,536)</u>
Change in net assets in governmental activities	\$	<u><u>139,602</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

White Lake Fire Authority
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 466,909	\$ 466,909	\$ 464,327	\$ (2,582)
Intergovernmental revenues				
Federal	-	41,641	97,251	55,610
Local	35,353	35,353	35,353	-
Investment earnings	1,000	1,200	5,713	4,513
Contributions	-	-	25	25
Other	1,500	2,500	8,898	6,398
Total revenues	504,762	547,603	611,567	63,964
EXPENDITURES				
Current				
Salaries and wages	197,676	225,122	223,898	1,224
Fringe benefits	59,698	69,000	74,038	(5,038)
Operating supplies	5,000	6,079	6,079	-
Gasoline	8,500	12,837	12,837	-
Equipment maintenance	15,000	21,060	20,760	300
Office supplies	3,500	1,408	2,030	(622)
Insurance and bonds	19,000	17,107	17,107	-
Communications	13,500	13,375	13,376	(1)
Education and training	5,000	4,636	4,036	600
Professional fees	11,000	12,258	12,965	(707)
Uniforms	1,500	2,014	2,014	-
Rental and lease expense	15,600	15,810	15,790	20
Other	5,750	4,426	4,408	18
Capital outlay	6,000	57,105	116,580	(59,475)
Total expenditures	366,724	462,237	525,918	(63,681)
Excess of revenues over (under) expenditures	138,038	85,366	85,649	283
OTHER FINANCING USES				
Transfers out	(131,889)	(85,366)	(85,366)	-
Net change in fund balance	\$ 6,149	\$ -	283	\$ 283
Fund balance at January 1, 2005			56,139	
Fund balance at December 31, 2005			\$ 56,422	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

February 9, 2006

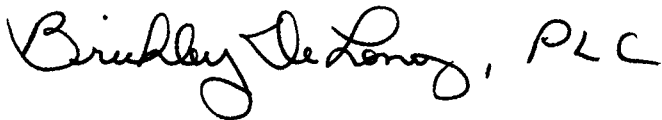
Board of Directors
White Lake Fire Authority
Whitehall, Michigan

In planning and performing our audit of the financial statements of White Lake Fire Authority for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the White Lake Fire Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.



REPORTABLE CONDITIONS

Recommendation 1: Proper segregation of duties should be established.

During our testing, we noted that the Fire Chief has access to all areas of operations including accounts receivable, accounts payable, and payroll.

It is inherently difficult to maintain proper segregation of duties, but the Authority should look for opportunities to further enhance its internal controls.

Recommendation 2: Proper documentation should support each debit card transaction.

During our testing, we noted that documentation supporting several debit card disbursements could not be located.

Proper supporting documentation should be required and maintained for all debit card transactions. This would help ensure that only bona-fide expenditures are paid with Authority funds.

We consider this reportable condition contained in our April 29, 2002 letter still applicable:

Recommendation: A capitalization policy should be adopted including a floor dollar limit for recording of assets within the Statement of Net Assets.